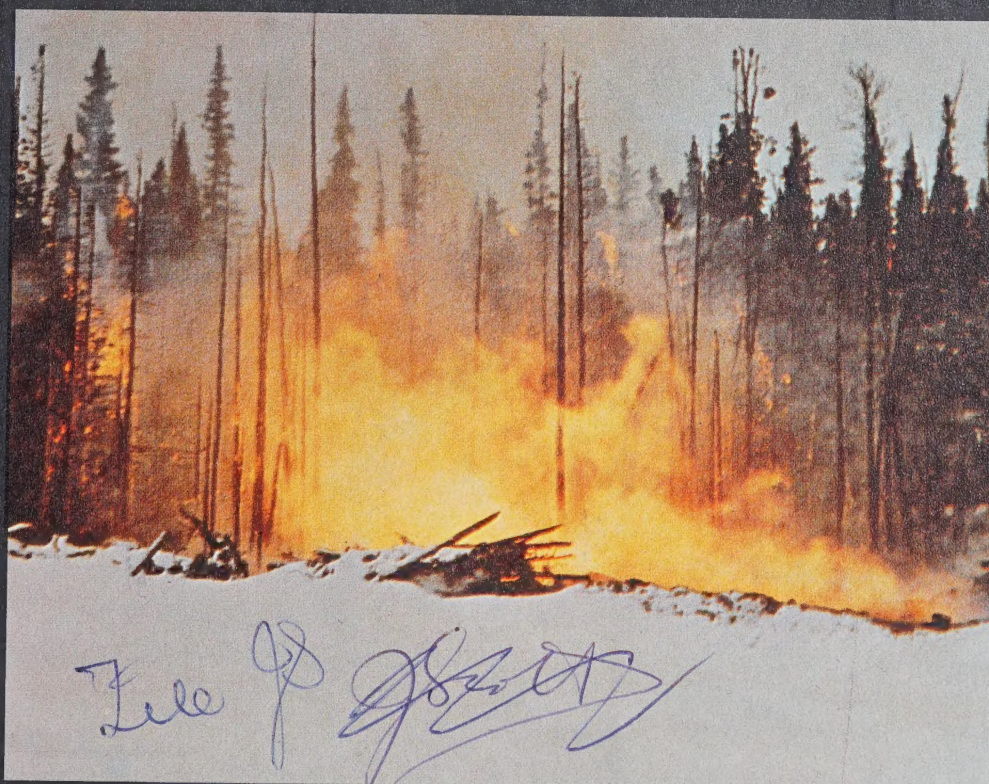
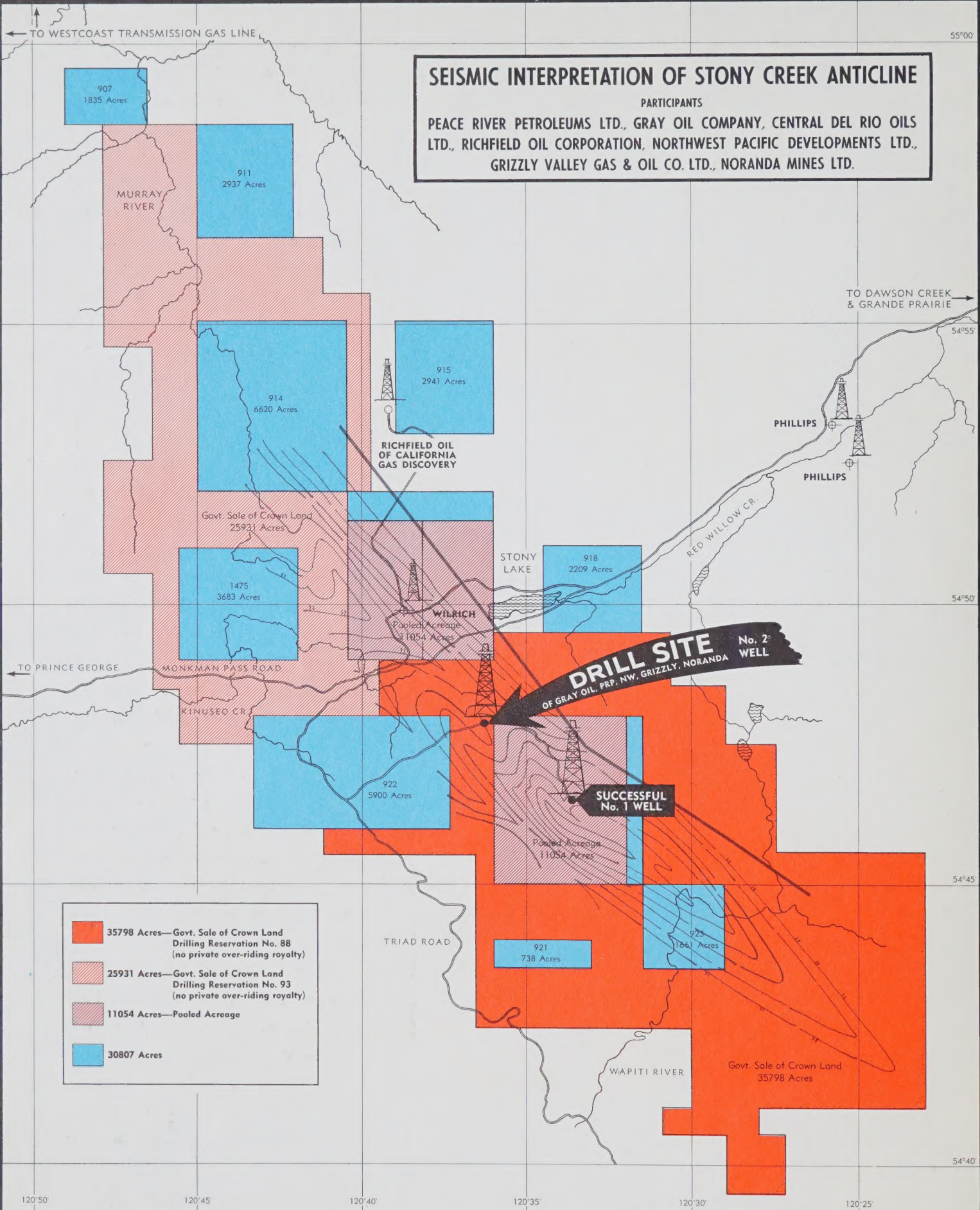




1964 ANNUAL REPORT

PEACE RIVER PETROLEUMS LIMITED (N.P.L.)
AND SUBSIDIARY COMPANY VAN-PACIFIC INVESTMENTS LTD.





SEISMIC INTERPRETATION OF STONY CREEK ANTICLINE

PARTICIPANTS

PEACE RIVER PETROLEUMS LTD., GRAY OIL COMPANY, CENTRAL DEL RIO OILS LTD., RICHFIELD OIL CORPORATION, NORTHWEST PACIFIC DEVELOPMENTS LTD., GRIZZLY VALLEY GAS & OIL CO. LTD., NORANDA MINES LTD.

- 35798 Acres—Govt. Sale of Crown Land Drilling Reservation No. 88 (no private over-riding royalty)
- 25931 Acres—Govt. Sale of Crown Land Drilling Reservation No. 93 (no private over-riding royalty)
- 11054 Acres—Pooled Acreage
- 30807 Acres

PRESIDENT'S REPORT

TO THE SHAREHOLDERS OF
PEACE RIVER PETROLEUMS LTD. (N.P.L.)

On behalf of your Board, I wish to report to you regarding the Company's affairs since the last Annual Meeting. You will find herewith a copy of the Balance Sheet as at September 30, 1964, and the Auditors' Report thereon.

GRIZZLY VALLEY-STONY LAKE AREA, B.C.—Your Directors are pleased to report that since the last Annual Report the No. 1 well was put on production with an absolute open flow of 8.3 million cubic feet of "sweet" gas per day.

This production is from only 40 ft. of an indicated zone of 312 ft. of better than 7% porosity. When the entire 312 ft. is perforated the open flow should increase considerably. The "deliverability" of the well is exceptionally good, as 7.6 million cu. ft. could be delivered daily into a pipeline against a pipeline pressure of 650 pounds per square inch.

This producing zone is known as the Kootenay or Nikanassin and was encountered around 7,495 ft. It was entirely unexpected, as it was believed the first gas zone would be found in the same Triassic formation in which Richfield of California found the gas at approximately 12,000 ft.

Seven-inch casing was set at 8,307 ft. and, while the cement plug was being drilled out with the "air drilling" technique, gas was encountered. On reaching a depth of 447 ft. below the casing shoe, a down-hole explosion occurred and sheared off the drill collar, due probably to the fact that air (oxygen) was being pumped down the well for drilling purposes.

As a result of this burn off, it was decided to complete the well at 8,750 ft. after penetrating 1,265 ft. of Nikanassin formation. It was then decided to

perforate 40 ft. of the gas zone indicated behind the casing on the Schlumberger Log.

The second well is now well on its way. Five hundred feet of 13 $\frac{3}{8}$ " surface casing has been set and 9 $\frac{5}{8}$ " casing has been set at 2,162 ft. Gas drilling will be carried on from this depth. A gas line has been laid from our No. 1 well and gas is being used for drilling and all camp purposes, thus saving approximately \$800.00 per day on drilling costs.

The No. 2 well is being drilled on Drilling Reservation No. 88, acquired from the Province of British Columbia at the sale held August 5, 1964. This location is approximately 2 $\frac{1}{2}$ miles northwest of the No. 1 well.

We are confident gas will be found in the same formation as in the No. 1 well and should have as good a pay section. If we are successful this will materially add to our proven and probable reserves. The cross section shown on the following pages is projected from present information and a study of it reveals that the Nikanassin or Kootenay formation extends for a considerable distance in width. This anticline was reported on by Dr. C. R. Stelck and is approximately 30 miles long and one of the largest undrilled anticlines in Northeastern British Columbia.

Your Board believes that a great deal of credit for the discovery of gas in this area should go to Dr. Stelck. He is the paleontologist at the University of Alberta in Edmonton and was originally retained by the Canadian and U.S. Governments in 1942 to investigate the large gas seeps in the area. The gas seep shown on the front cover is one of the early occurrences investigated.

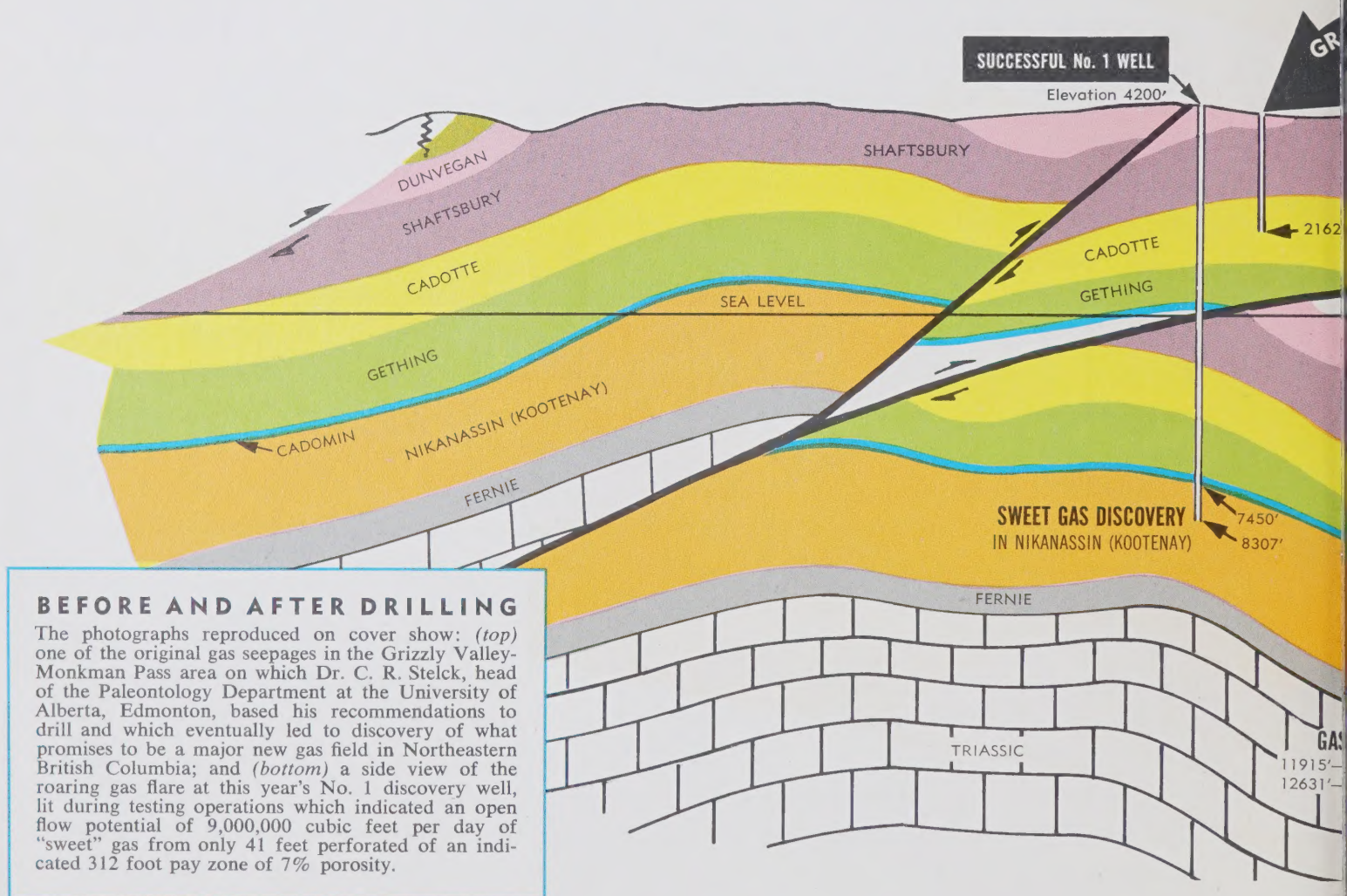
While employed with Imperial Oil, Dr. Stelck spent many years geologizing the area and the foothills immediately to the west of the Stony Lake anticline. He recommended at that time that the Nikanassin, Triassic and Mississippian formation be explored for both gas and oil. Later studies of the area have convinced him that the Stony Lake anticline

has an exceptionally large closure; our No. 1 well has indicated that his prediction of the immensity of this structure was justified.

The working partners in the drilling of this second well have decided to take production from the Nikanassin formation if it proves to be a comparable well to the No. 1. This will help to evaluate our holdings and a third well is planned directly after the completion of the No. 2.

For the information of shareholders, we have reproduced a map on the back of this Report to show

the location of the acreage in relation to the rapidly growing centre of Prince George, B.C. Any outlet for the gas by pipeline would follow the comparatively easy Monkman Pass Trail, which was originally made in 1937 and 1938 by farmers residing in the Beaver Lodge and Grande Prairie areas. There is very little rock work in the whole trail through the pass to the Fraser River and on west. The elevation is only 3,550 ft. at the highest point. Access to the present well is by good gravel road which can be used the year round.



The acreage spread in which your Company has its interest has been materially changed since 1957 when Richfield was drilling its well. Some 41,861 centrally-located acres have been acquired from Central Del Rio at little or no cost to your Company. Peace River Petroleum Ltd. now holds 25% interest on all the acreage indicated on the accompanying map and an extra 5% in 30,807 acres marked in blue.

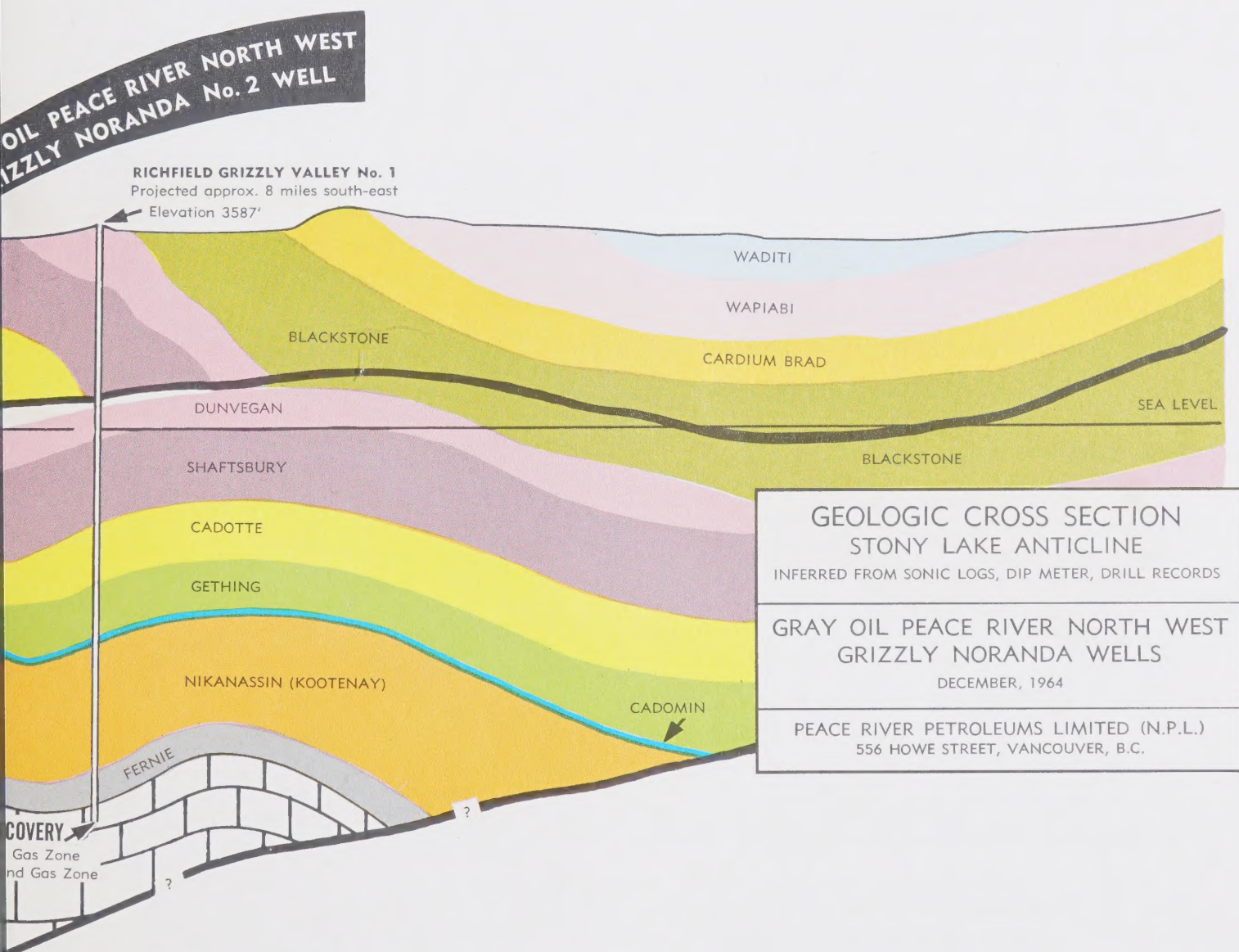
Your Directors feel that the results so far realized are indicative of a tremendous potential and that the

coming year will bring complete justification of the efforts and money directed to this major development.

All of which is respectfully submitted on behalf of the Directors.

GEORGE A. RICHARDSON,
PRESIDENT

Vancouver, B.C., December 17, 1964



PEACE RIVER PETROLEUMS LIMITED (N.P.L.)
AND SUBSIDIARY COMPANY VAN-PACIFIC INVESTMENTS LTD.

Consolidated Balance Sheet
as at September 30, 1964

CURRENT ASSETS		ASSETS	
Cash.....		\$	31,548
Accounts receivable.....			36,439
TOTAL CURRENT ASSETS.....			67,987
INVESTMENTS			
108,000 shares of Grizzly Valley Gas & Oil Co. Ltd.—at cost.....	\$	33,750	
Shares of Delta Gas & Transmission Ltd.—at cost (152,210 preference and 335,510 common).....		132,252	
Share subscription—Canuck Beryllium Corporation Ltd.....		15,000	181,002
EQUIPMENT—at cost (dismantled oil rig and sundry equipment).....		131,990	
Less: Accumulated depreciation.....		103,192	28,798
PETROLEUM AND NATURAL GAS PROPERTIES—at cost (Note 1).....			1,932,152
OTHER			
Accounts and notes receivable past due—net (Note 2).....		49,758	
Incorporation and organization expense.....		14,197	63,955
			<u>\$2,273,894</u>

CURRENT LIABILITIES		LIABILITIES			
Accounts payable.....					19,784
SHAREHOLDERS' EQUITY					
Share Capital					
Authorized					
7,500,000 shares of a par value of \$1 each					
Issued and fully paid (Note 3)					
	Shares	Gross	Discount	Net	
For cash.....	4,624,088	\$4,624,088	\$2,863,486	\$1,760,602	
For other consideration.....	2,200,000	2,200,000	80,000	2,120,000	
	<u>6,824,088</u>	<u>\$6,824,088</u>	<u>\$2,943,486</u>	<u>\$3,880,602</u>	
Deficit—Exhibit B.....				1,626,492	2,254,110
					<u>\$2,273,894</u>

The attached notes are an integral part of the financial statements.

Signed on behalf of the Board

GEORGE A. RICHARDSON, Director
HAROLD H. HEMSWORTH, Director

PEACE RIVER PETROLEUMS LIMITED (N.P.L.)
AND SUBSIDIARY COMPANY VAN-PACIFIC INVESTMENTS LTD.

Statement of Consolidated Deficit
for the year ended September 30, 1964

Balance September 30, 1963.....	\$1,527,133
<i>Add</i>	
Administrative expenses.....	\$55,769
Depreciation.....	13,199
Write off of development costs in the Hazelmore area of British Columbia.....	31,185
Write off of investment in National Forest Products Limited.....	2 100,155
	<u>\$1,627,288</u>
<i>Less</i>	
Profit on sale of investments and fixed assets.....	796
Balance September 30, 1964.....	<u><u>\$1,626,492</u></u>

Notes to Financial Statements
September 30, 1964

1. Petroleum and natural gas properties consist of the following:
 - (a) 25% interest in production of leases and drilling reservations covering approximately 103,500 acres in the north central part of British Columbia..... \$1,899,512
 - (b) 100% interest in production jerd structure, Peace River district, Alberta, covering approximately 640 acres..... 32,640\$1,932,152

The amounts at which properties have been stated do not purport to represent present or realizable values.

2. As security for \$19,897 of these receivables, the Company holds 391,933 shares of Northwest Pacific Developments Ltd.
3. (a) The Prudential Trust Company holds 1,700,924 shares in escrow.
- (b) Options to purchase shares have been granted as follows:

Number	Price	Expiry Date
*100,000	40c	October 6, 1964
*100,000	40c	December 6, 1964
200,000	45c	March 6, 1965

*These options were exercised prior to the expiry date.

Auditors' Report

TO THE SHAREHOLDERS OF PEACE RIVER PETROLEUMS LIMITED (N.P.L.)

We have examined the consolidated balance sheet of Peace River Petroleum Limited and its wholly-owned subsidiary company as at September 30, 1964 and the statement of consolidated deficit for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying consolidated balance sheet and statement of consolidated deficit are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at September 30, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

December 15, 1964.

DELOITTE, PLENDER, HASKINS & SELLS,
Chartered Accountants.

